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GLOBAL CAPITAL FLOWS
TO THE THIRD WORLD

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Global Capital Flows To The Third World*

Introduction

The developing nations are still faced with critical shortages of capital. Authorities estimate that developed countries should provide a minimum of \$250 billion to \$300 billion of capital during the decade of the 1970s. The need to help poor nations reach acceptable standards of living was recognized as an international problem early in the 1940s, and in 1944, with the creation of the International Bank for Reconstruction and Development (IBRD), machinery was introduced for the first time to provide international financing for development in the Third World.

This was followed in 1946 with national aid organizations established by the United Kingdom and France and later in the United States, as an outgrowth of the Marshall Plan. Since that time, a series of national and international aid structures have been established that together comprise vital forces for development of the less developed nations. Most important among these have been two IBRD subsidiaries which were intended to expand the scope and character of the Bank's undertakings: the International Finance Corporation (IFC) established in 1956 to provide risk capital, and the International Development Association (IDA) created in 1960 to provide soft loans. In addition, regional financial institutions, such as the African Development Bank and the Asian Development Bank, have been organized to supplement the assistance provided under international auspices.

Also of significance has been the emergence of a number of aid coordinating mechanisms, especially the Development Assistance Committee (DAC), under the Organization for Economic Cooperation and Development (OECD). The DAC was organized to induce an expanded

* *Third World refers to the less developed countries of the Free World, which include the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries of East Asia except Japan; (3) Portugal and Spain in Europe; (4) all countries in Latin America except Cuba; and (5) all countries in the Near East and South Asia.*

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flow of aid from Western developed countries and to increase the efficiency of national aid undertakings by providing a forum to exchange information on global aid efforts and to harmonize aid policies.

The United Nations also has provided the impetus for a more sophisticated approach to development problems, especially through its Conference on Trade and Development (UNCTAD). The public review of goals and the identification of alternatives for achieving them have highlighted many of the critical issues among donors and recipients and have provided new challenges for their solution. Three recent major reports (the Pearson Report, sponsored by the IBRD; the Jackson Report, prepared by the UN Committee for Development Planning; and the Peterson Report, prepared at the request of the President of the United States) recommend increases in the amount of aid and suggest that multilateral agencies play a larger role in aid determinations (see Appendix B).

In spite of these continuing efforts and in spite of the vast increases in global capital flows during the past two decades, for the most part the developing countries still have not passed beyond the most elementary stages of development. They continue to look to the developed world for ever larger amounts of capital to help them achieve their goals. But the offerings fall short of Third World requirements as the developed nations tend to look inward and are reluctant to expand their undertakings by significant amounts. Moreover, the net availability of external capital is being reduced as the flow to less developed countries from official sources has levelled off and debt service obligations have continued to grow.

This memorandum reviews the dimensions of the global aid effort as it has evolved over the past 16 years, from 1954 to 1969, with particular emphasis on official bilateral capital movements to the developing nations of the Free World. It covers both Western and Communist participation and looks to the future, as an attempt is made to estimate the amount of net capital that will flow to the Third World at the end of the Second Development Decade.

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Total Capital Flows, 1954-69

1. As a result of international cooperation and national initiatives by the developed countries, the volume of foreign capital flowing to the less developed countries of the Free World has expanded enormously. Since the mid-1950s, following the reconstruction efforts of the post-World War II period, the developed countries -- both Free World and Communist -- have provided about \$90 billion of aid to the less developed countries through official bilateral and multilateral channels. In addition, capital provided through foreign private sources has totaled more than \$50 billion (see Appendix Tables A-II, and A-III). From an annual average flow of some \$5.5 billion during 1954-59, the global flow of capital to the developing countries increased to more than \$8.5 billion by 1960, and in 1969 a record level of about \$14 billion was reached (see Table 1).

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Table 1

Gross Capital Flows
to Less Developed Countries
of the Free World a/

Million US \$

	<u>Official Sources</u>			
	<u>Total</u>	<u>Bilateral</u>	<u>Contributions to Multilateral Agencies</u>	<u>Private Sources</u>
1954-59 <u>b/</u>	5,486	2,876	276	2,334
1960	8,600	4,849	601	3,150
1965	11,373	6,759	449	4,165
1969 <u>c/</u>	14,346	7,558	1,000	5,788

a. Contributions to multilateral agencies and capital from private sources are net figures and thus are understated. Official sources exclude flows from New Zealand, Portugal, Spain, South Africa, and Yugoslavia.

b. Annual average.

c. Preliminary estimates.

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2. Official bilateral assistance has made by far the most important contribution to the total flow of international capital that has gone to Third World countries. It rose very rapidly between the mid-1950s and the mid-1960s and then slowed, as contributions from principal donors, especially the United States, lagged. Between 1954 and 1965, official aid provided directly through government sources increased almost 2-1/2 times, rising from about \$2.9 billion at the beginning of the period to \$6.8 billion at the end. From 1965 to 1969, the increase was little more than 10%. At the same time, official contributions to multilateral agencies were nominal although they rose to \$1 billion in 1969. It has been the private sector -- always the most volatile part of the total -- that has shown the largest dollar increase since 1965 and has accounted for the largest part of the expansion in capital flows in most recent years. Between 1960 and 1969 private net flows rose by more than \$2.6 billion, which roughly equalled the increase in total gross official bilateral flows during the period.* But private sector capital movements had increased 85% between 1960 and 1969, compared with little more than a 55% increase for total official flows. Although official bilateral aid still accounts for more than one-half of the total capital flow, its share has declined in recent years, while the share of private capital had increased to about 40% in 1969 from about 35% in 1960.

Official Bilateral Flows

3. The total flow of capital through bilateral channels between 1954 and 1969 equalled \$82 billion. Of this amount DAC member nations provided \$78 billion, or 95% of the total, and Communist countries provided the remainder. Gross official bilateral capital flows to Third World countries during 1954-68 are shown in Figure 1. The comparison of Western and Communist aid disbursements in Table 2 shows that the threat of competition posed by Communist countries, when they launched their aid offensive in the mid-1950s, never materialized and the total of all Communist aid delivered during 1954-69 was only \$4.5 billion. Moreover, except

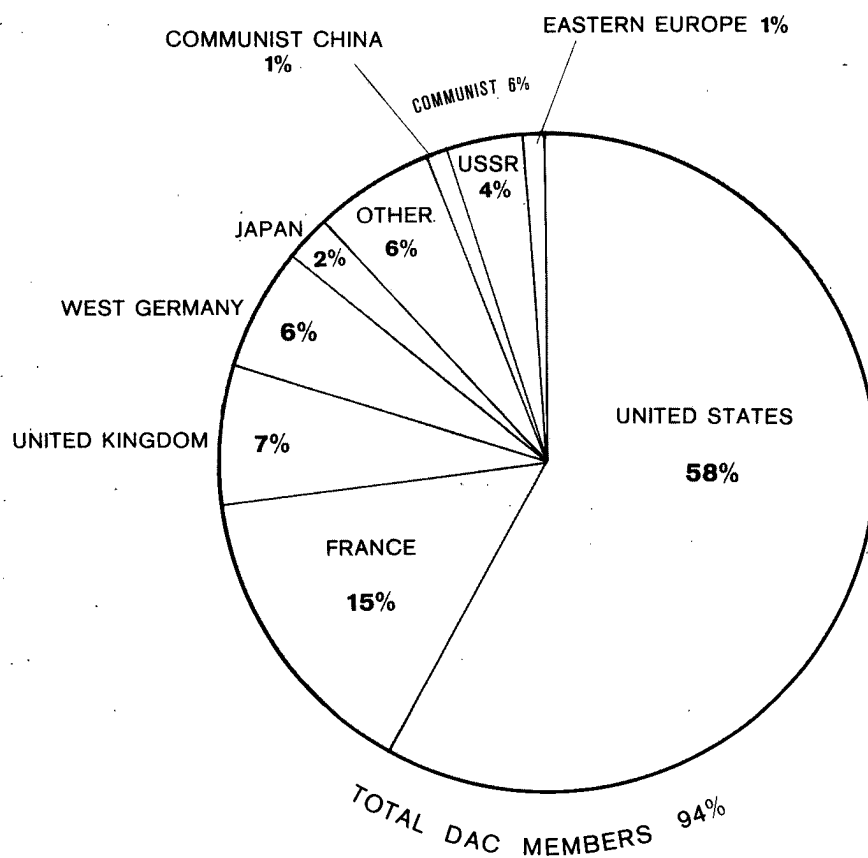
* *The comparison between gross bilateral official flows and net private flows understates the relative increase in the private sector.*

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Figure 1

**Gross Official Bilateral Capital Flows to
Third World Countries, by Donor
1954-68**



TOTAL: US \$ 74.6 Billion.

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Table 2
Gross Official Bilateral Capital Flows by Major
Donors for Selected Years a/
1954-69

	Million US \$						
	1954-59	1960	1964	1965	1968	1969	1954-69 Total
Total Gross	2,876	4,849	6,355	6,759	7,390	7,558	82,149
DAC members c/	2,812	4,700	5,798	6,233	6,934	7,150	77,634
United States	1,742	3,149	3,479	3,665	3,775	3,498	43,163
France	710	779	768	793	913	963	11,482
United Kingdom	173	332	493	490	458	427	5,065
West Germany	68	135	450	521	643	668	4,350
Japan	30	63	228	190	334	993	1,624
Other	90	241	379	574	811	--	4,799
Communist	64	149	556	526	456	408	4,515
USSR	42	107	376	356	303	286	3,094
Eastern Europe	12	32	116	92	107	78	893
China	10	10	64	78	46	45	528

- a. Because of rounding, components may not add to the totals shown.
b. Annual average.
c. Includes 15 Western nations and excludes Portugal.
d. Preliminary estimate. The distribution among DAC members is not available.

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for the decline in 1962, total official bilateral aid disbursements by Western nations have increased in every year since 1954, while Communist aid, after reaching a record of slightly more than one-half billion dollars in 1964, has declined in every subsequent year, to some \$400 million in 1969. Aid from all Communist countries for the 16-year period, 1954-69, has been roughly equal to the official bilateral disbursements made during that period by West Germany, the fourth ranking Western donor. But West Germany's annual disbursements, which were about equal to those of Communist countries in 1965, continued to expand after 1965, while Communist aid was falling. Among the Communist countries, the USSR has been by far the largest donor, having accounted for almost 70% of the total. East European countries provided about 20% and Communist China the remainder.

4. Even though Western official flows have continued to increase in almost every year, since the mid-1960s there has been a tendency toward stagnation mostly because of the reduced growth of US aid. US aid has fluctuated between \$3.5 billion and \$3.8 billion since 1964, and there has been little change in the dollar value of assistance from the United Kingdom since the mid-1960s although some increase may have taken place in 1969. French disbursements, however, rose sharply in 1968 and 1969, contrasting with the 1962-66 period when French capital outflows had been constant. Most other DAC member countries, especially West Germany and Japan, have consistently expanded the amount of aid they have provided annually to the developing nations. By 1968, the contributions from the group of "other countries" that are DAC members also rose rapidly to a level of almost 3-1/2 times that of 1960. US aid has been by far the largest part of the DAC member total, amounting to \$43 billion during 1954-68, but it has represented a declining share in recent years. In 1968, US aid disbursements were only 54% of the total, compared with 67% in 1960. France and the United Kingdom have ranked second and third although the volume of West Germany's annual aid disbursements began to exceed those of the United Kingdom in 1965.

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5. The distribution of official bilateral assistance has been highly concentrated for all donors. In the aggregate, the largest share has gone to Near East and South Asian countries; the countries of Africa ranked second; and East Asia and Latin America followed, with respective shares of 19% and 16% (see Table 3).

6. There are significant regional variations among donors, often a reflection of historic and political ties or of current strategic considerations. For example, 73% of French aid and 43% of the UK's aid have gone to Africa; more than one-half of Japanese aid has been provided to East Asia; and only the United States among all the major donors has made a significant contribution to Latin America, though 40% of total US aid went to the Near East and South Asia and 26% to East Asia. In the case of the USSR, 85% of its aid deliveries have gone to the Near East and South Asia. Within these area preferences, all aid donors have tended to concentrate their undertakings in a few countries, often the same countries. Thus, about half of the official bilateral aid from all sources delivered during 1954-68 went to ten countries (see Table 4). For Communist countries, the ratio was somewhat higher. Four of the ten countries (India, Indonesia, Pakistan, and the UAR) also were principal Communist aid recipients although not in the same order of rank as for Western countries. These countries also are the nations that are being most seriously burdened by debt payment requirements. At least three have already asked their creditors for relief; a number of the others may be expected to follow shortly.

Repayment Terms for Official Bilateral Flows

7. Against the benefits derived from the use of foreign capital, Third World countries must weigh its cost. Out of total official bilateral deliveries of some \$80 billion during 1954-69, about one-half was provided as outright grants; the remainder was in the form of long-term credits with contractually fixed debt servicing obligations.* To meet these fixed

* *This memorandum, where possible, has excluded credits with repayment periods of less than five years. The recent DAC definition of development capital, that excludes all export credits and includes only credits intended for development purposes, was not used.*

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Table 3

Gross Official Bilateral Capital Flows
by Donor and Recipient Area a/
1954-68⁹

		Million US \$					
	Total	1954-1968 Communist Countries	DAC Members				
			Total	United States	France	United Kingdom	Other
Total b/	74,591	4,107	77,894 70,484	46,697 43,163	12,473 11,482	5,997 5,065	13,230 10,773
Near East and South Asia	25,735	3,094	24,580 22,641	18,095 17,100	133 88	1,616 1,473	4,673 3,980
Africa	16,247	507	17,181 15,740	3,566 3,252	8,976 8,377	2,311 2,160	2,327 1,950
East Asia	13,810	425	15,492 13,385	12,347 11,257	322 251	293 240	2,500 1,637
Latin America	11,62	81	12,927 11,561	9,798 8,938	922 737	538 491	1,669 1,396
Europe	1,748	--	1,875 1,748	1,395 1,338	78 47	215 204	187 159
Other c/	5,409	--	5,839 5,409	1,466 1,278	2,042 1,982	-- 497	182.6 1,652

a. Data for 1969 by donor and recipient are not available.

b. Because of rounding, components may not add to the totals shown.

c. Including unspecified countries.

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Table 4

Distribution of Gross Official
Bilateral Capital
Among Principal Recipients a/
1954-68

Million US \$			
	Total	Donors	
		DAC Members	Communist Countries
<i>Total</i>	74,591	70,484	4,107
India	10,688	9,754	934
Pakistan	4,489	4,379	110
Algeria	3,838	3,780	58
South Vietnam	3,769	3,769	0
South Korea	3,709	3,709	0
Brazil	2,843	2,813	30
Turkey	2,316	2,292	24
Indonesia	1,914	1,613	301
UAR	2,256	1,415	841
Chile	1,352	1,352	0
Other	37,418	35,609	1,809

a. Data for DAC member countries' disbursements in 1969 are not available.

obligations, the developing nations made payments of approximately \$11 billion for debt amortization and interest during the 15-year period, 1954-68. Repayment terms have varied widely among donors and over time. At one extreme is Australia's aid program which is all grant; at the other is the East European program which is no-grant and characteristically eight years for amortization and 3% interest. The terms allowed by major donors for commitments made in 1962 and 1968 are given in Table 5.

8. Of special interest is the fact that Communist terms -- often referred to as "easy" -- are the "hardest" among all the donors. Most importantly, Communist countries do not generally extend grant aid. With the exception of \$130 million in grants

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Table 5
Repayment Terms for Aid Commitments

DAC Members	1962			1968		
	Grant (Percent of Total)	Loan Terms ^{a/}		Grant (Percent of Total)	Loan Terms ^{a/}	
		Number of Years Maturity	Interest (Percent)		Number of Years Maturity	Interest (Percent)
United States	67	28.6	2.5	39	30.0	3.6
France	56	17.0 ^{b/}	4.0 ^{b/}	70	17.6	3.7
United Kingdom	58	24.3	5.8	37	24.0	1.0
West Germany	11	15.2	4.4	24	18.0	4.5
Japan	16	10.0	6.0	36	18.1	3.7
DAC Average	60	24.5 ^{c/}	3.5	43	26.0	3.6
<u>Communist ^{d/}</u>						
USSR	Negl.	12	2.5	Negl.	11.8	2.4
Eastern Europe	Negl.	8	3 to 3.5	Negl.	8.6	2.6
China	25	10 ^{e/}	0	Negl.	10.0 ^{e/}	0

a. *Weighted averages.*

b. *Based on disbursement data.*

c. *An average grace period of six years usually is included.*

d. *Terms cited for 1962 are an average for 1960-62.*

e. *These payments usually begin after a 10-year grace period.*

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provided to Afghanistan in 1959, the USSR has extended grants only for small emergency-type assistance and the occasional model farm, hospital equipment, or training facility. Communist China provided grants to Nepal and Cambodia of \$65 million and \$50 million, respectively, and also has given small amounts of budgetary support and commodity assistance as gifts. For the USSR, generally amortization of credits has been extended over a 12-year period with interest of 2.5%. East European countries have been somewhat less liberal, and Communist China somewhat more concessionary because of a 10-year grace allowed before the start of amortization and no interest charges. On the other hand, Western aid donors, in 1968, on the average, allowed 26 years for repayment and charged 3.6% interest, but some 43% of the aid did not require repayment.

9. Compared with 1962, repayment terms generally have become more burdensome for aid recipients. DAC member countries in 1968 reduced the high grant ratios of earlier years by 17 percentage points, although average amortization periods were increased by 1-1/2 years. The increase in interest on US development loans, from a statutory minimum interest rate of 3/4% in 1962 to 3% in 1968, was counterbalanced to some extent by the reduction in average UK interest rates from almost 6% to 1% and in Japan's interest charges from 6% to 4%. Recently the growing volume of export supplier type credits* provided by a number of donors has contributed to the hardening of terms.

Repayments and Net Aid Flows

10. During 1954-68 the less developed countries of the Free World made payments of approximately \$11 billion to the developed nations for servicing the debts incurred for official bilateral assistance. About \$7 billion of the total was for repayment of their principal debt and more than \$4 billion was for interest payments (see Table 6).

* *In the case of some countries, such as West Germany, these credits may be extended directly to the buyer rather than supplier.*

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Table 6

Total Principal and Interest Payments
by Third World Countries to Major Donors
of Economic Aid
1954-68

	Million US \$		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<i>Total</i>	11,028	6,954	4,074
DAC Members	<u>10,107</u>	<u>6,302</u>	<u>3,805</u>
United States	6,096	3,817	2,279
France	861	629	232
United Kingdom	973	456	517
West Germany	1,030	670	360
Japan	261	149	112
Other	886	581	305
Communist Countries	<u>921</u>	<u>652</u>	<u>269</u>
USSR	600	420	180
Eastern Europe	321	232	89

11. Debt servicing obligations have increased very rapidly in recent years for credits extended by both Western and Communist countries. Between 1960 and 1968 the total annual debt service tripled, rising from \$550 million in 1960 to \$1.7 billion in 1968 (see Appendix Table A-IV). Both interest and principal had roughly the same growth rate over the nine-year period and contributed the same share to the total in each year. Interest was 37% of the total and the principal was 63% during 1954-68. Repayments of principal and interest to DAC member countries accounted for \$10 billion of the \$11 billion total repaid, with only about 8% of the total going for repayment on Communist aid. The somewhat higher interest rates charged by the Western donors and shorter amortization periods for Communist aid are reflected in the fact that the interest paid Western countries was a larger percentage of the total than paid to the Communist countries.

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12. Aggregate principal repayments for official bilateral aid during 1954-68 have reduced the capital flow to the developing nations by about 10%. Interest payments reduced it by another 5%. Harder terms imposed by a number of donors curtailed the net amount of capital outflow from these countries by more than the average. For example, debt amortization absorbed 35% of Austria's gross disbursements during 1954-68, 30% of Italy's, and 15% of West Germany's. For Communist countries the repayment/delivery ratio rose more rapidly than for DAC member countries and principal payments for amortizing previous deliveries exceeded the average 10% mark in 1964. By 1968, when the average principal repayment delivery ratio had risen to 14% for all donors, Communist principal payments were preempting 36% of their total deliveries. Interest payments for Communist aid reduced the flow by an additional 13%. Thus, compared with total Communist deliveries of about \$455 million in 1968, payments for interest and principal amounted to \$220 million. This was a far heavier drain on aggregate flow than was recorded for any of the DAC countries. As a consequence, Communist deliveries will approach the debt service level within the next few years unless deliveries are increased significantly or debt relief is granted (see Figure 2). For DAC members there is still a wider spread between deliveries and repayments. Inasmuch as the grant portion still constitutes a large part of total deliveries the annual net availability of official capital from DAC countries has increased somewhat in most years, reaching \$5.5 billion in 1968 compared with \$4.9 billion in 1964. On the other hand, the net flow of capital from Communist countries was an estimated \$235 million in 1968 and \$465 million in 1964.

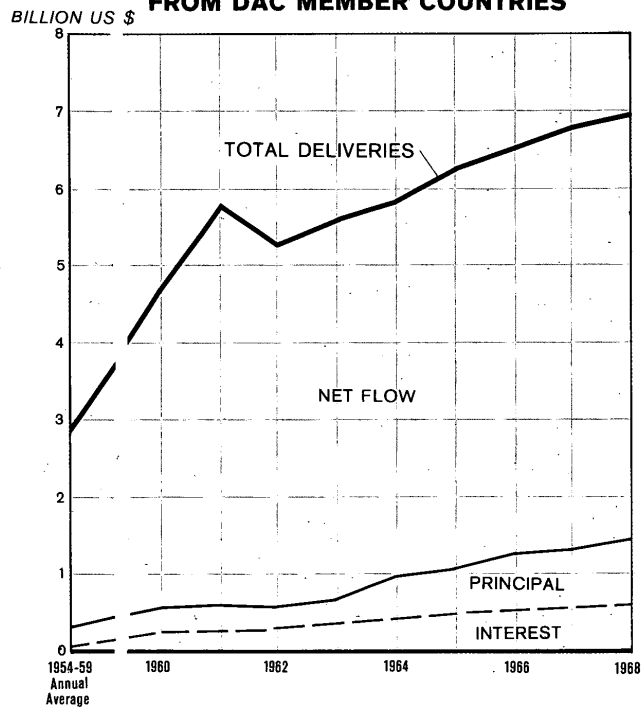
13. In spite of continued increases in net Western aid, the debt structure is not evenly distributed among recipients and some countries have had serious problems in meeting their debt service obligations. As the gap between deliveries and repayments has narrowed before these countries could increase their export capabilities, they have defaulted. Indonesia and Ghana, among others, already have had problems in meeting their contractual obligations for debts incurred under nationally sponsored aid programs, and have had to ask for debt servicing relief. India and the UAR have similar problems. Either the terms of aid must be made easier or gross lending vastly expanded to compensate

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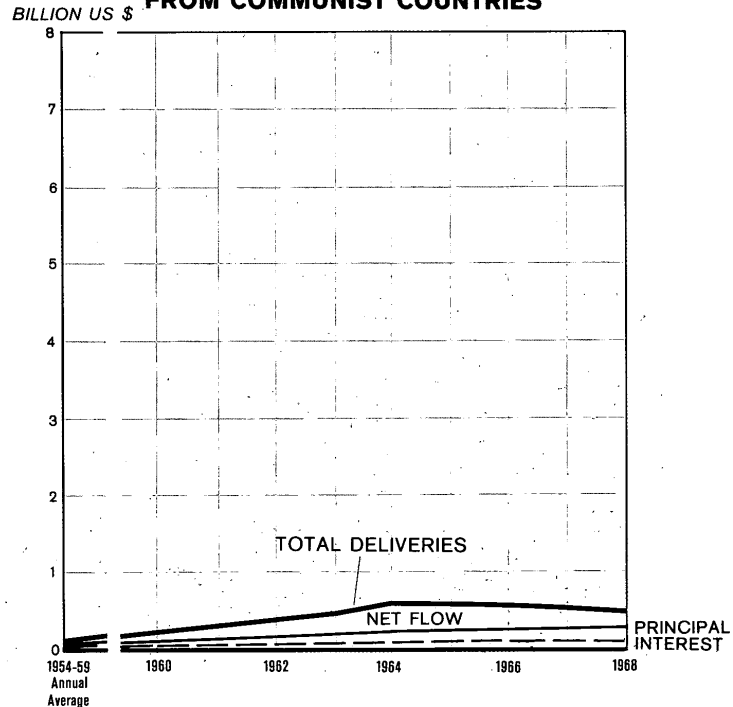
Figure 2

Net Official Bilateral Capital Flows to Third World Countries

FROM DAC MEMBER COUNTRIES



FROM COMMUNIST COUNTRIES



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for the increased reverse flows that are taking place. Originally, suggested reductions in repayment terms were a means for achieving uniformity among donor aid offerings. More recently, recommendations to soften terms are intended to provide relief to aid recipients whose export surpluses are not large enough to service debts being created under existing agreements and who in some cases, because of debt obligations, are able to make only small net additions to capital formation.

14. To cope with this problem, the DAC adopted a resolution in 1965 calling for a softening of terms for official flows (see Appendix B). This was followed by similar recommendations at UNCTAD II and in 1969 in the Pearson report. To expand the net capital flow to developing nations, the report suggested targets for net official development aid of 0.7% of donor GNP to be achieved by 1975 if possible but no later than 1980. To provide greater uniformity in aid recipient debt structures, the report recommended that official assistance carry 25 to 40 year maturities with grace periods of 7 to 10 years and maximum interest of 2%.

Prospects for the 1970s

15. If the Pearson target of 0.7% of GNP for net official aid flows had been implemented in 1968, developed countries would have had to double their net disbursements of official capital. As shown in Table 7, the net flow of official capital (including disbursements to multilateral agencies) in 1968 averaged only about 0.34% of GNP. The Soviet contribution, which was less than 1/10 of 1% of GNP, represented the smallest drain among all countries on GNP. Only France met the 0.7% target. Australia and the Netherlands provided more than 0.5% of their GNP, and the United States, the United Kingdom, Belgium, and West Germany about 0.4%.

16. Under the Pearson assumption, disbursements in 1975 would be more than three times the amount actually disbursed in 1968. To reach the Pearson target by 1975, the USSR would have to increase its annual net disbursements about twentyfold (see Figure 3). But such a rapid acceleration, while impossible for the USSR to implement, is not even being contemplated inasmuch as Moscow has refused to accept any imposed uniform aid target. Nor is it likely that major Western

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Table 7

Net Official Flows Required to Reach Pearson
Target of 0.7 Percent a/
1975 Compared with 1968

	Actual Net Flow as Percent of GNP	Million US \$ to Reach 0.7 Percent of GNP	
	<u>1968</u>	<u>1968</u>	<u>1975</u>
<i>Total</i>	0.34	14,359	19,942
DAC members	0.41	<u>11,587</u>	<u>16,173</u> b/
Australia	0.59	186	255
Austria	0.24	80	103
Belgium	0.45	145	194
Canada	0.33	454	587
Denmark	0.23	87	124
France	0.75	788	1,162
West Germany	0.40	1,016	1,202
Italy	0.16	524	691
Japan	0.25	993	2,062
Netherlands	0.52	176	239
Norway	0.26	63	86
Sweden	0.29	179	230
Switzerland	0.11	118	151
United Kingdom	0.43	718	853
United States	0.42	6,060	8,234
USSR	0.05	<u>2,772</u>	<u>3,769</u>

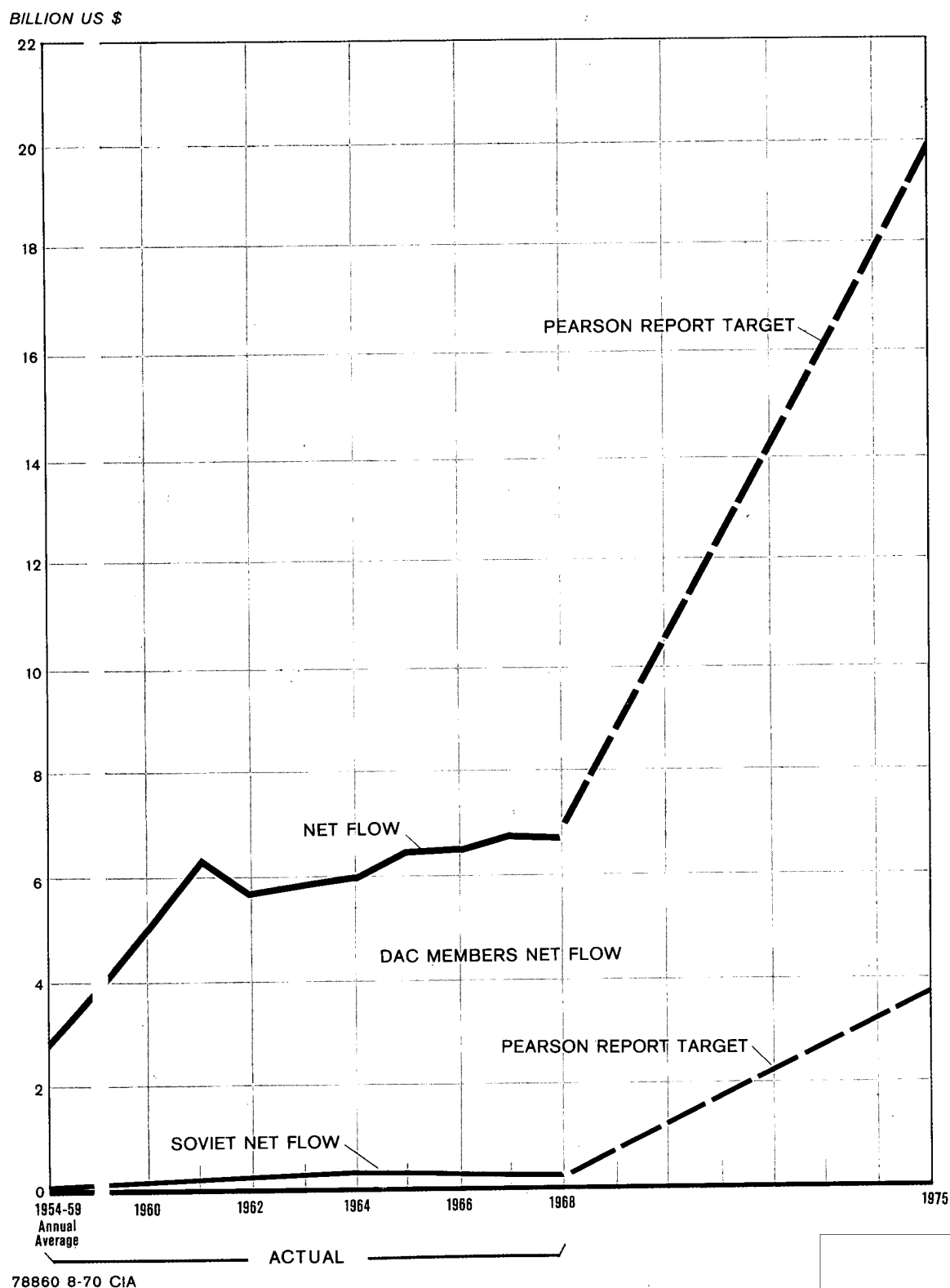
a. This category includes net bilateral and multi-lateral flows; the total is understated since projections for East European and Communist Chinese flows are excluded.

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Figure 3

Net Official Capital Flows* Required to Reach Pearson Report Target of 0.70% of GNP



*Excluding principal repayments.

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donors will triple their disbursements during the next several years or even by the end of the decade. Only five nations, that would account for less than 10% of the total projected target flow for 1975, have indicated their intention to reach or exceed the target. In its present domestic mood, the United States probably will not undertake major new bilateral aid initiatives but will try to sustain recent levels and may expand its contributions to multilateral agencies. Other major donors, especially Japan and West Germany, will probably continue to expand their undertakings but not so rapidly as the Pearson targets require.

17. The vastly expanded flow of capital envisioned in the Pearson report would be associated also with a reduced debt service ratio. Under the recommendation, total interest charges would equal about \$400 million for each \$1 billion of debt, compared with \$558 million, if 1968 terms were applied and total annual debt service for principal and interest on each \$1 billion of debt would be reduced by an average \$18 million a year, from \$75 to \$57 million. The acceptance of this recommendation would be a modest 2% to the annual net flow of aid.

18. The failure of the developed world to assume significant new responsibilities for the development efforts of Third World countries in the Second Development Decade will affect the fulfillment of their development plans, and some of the developing nations will continue to have difficulties in meeting their debt servicing obligations. More nations will request moratoria and rescheduling of their debts.

Conclusions

19. Increased world concern for the continuing development needs of Third World countries has led to pressures on national and international agencies to expand the volume of assistance to these countries and to improve the efficiency of these undertakings. As a result of the initiatives by international groups, national aid undertakings have become an international issue and donor nations are being pressed to conform to uniform criteria and standardized repayment terms. Acceptance of the Pearson

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recommendations would transform the concept of aid from national "largessee" to one of public responsibility, and the political and strategic overtones of aid-giving would be reduced. In spite of these efforts, national aid determinations are being subjected to more and more critical review by many developed countries, as the major donors become increasingly preoccupied with the growing domestic claims on their resources, with balance-of-payments problems and an indifferent public. Thus, the opening years of the Second Development Decade may be a crossroads for economic aid programs. Developed nations must decide whether their aid programs will continue as adjuncts of their national policy interests or whether they will identify them more generally with the objectives of international agencies. In the long run, there undoubtedly will be a tendency toward greater multilateralization, and a reduced national role.

20. In the shorter term the outlook is less encouraging. In spite of international efforts to reduce differences between rich and poor nations, the gap has widened in recent years. While it is hoped that total annual gross capital flow to poorer countries from all sources will exceed the present level by significant amounts, many of the developed nations have been reluctant to assume greater aid burdens by committing themselves to specific targets. In the short run, more uniform national aid structures may evolve, and the new perspective of aid as a worldwide undertaking will undoubtedly begin to take root. Possibly, one of the contributions of the Second Development Decade will be that it will have set the stage for the Third Decade when aid to developing nations will have reached a greater state of maturity.

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APPENDIX A

Statistical Tables

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Table A-II

DAC Member Disbursements to Multilateral Agencies a/

Million US \$												Estimated
Donor	Total	1954-59	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969 <u>b/</u>
<i>Total</i>	7,651 <u>c/</u>	1,658	601	744	527	365	380	449	530	736	661	1,000
Australia	136	23 <u>d/</u>	8	11	6	18	11	12	13	24	10	
Austria	52	5 <u>e/</u>		2	8	2	5	3	6	7	14	
Belgium	186	46	19	23	15	16	2	8	14	24	19	
Canada	274	47	27	16	12	8	16	28	31	46	43	
Denmark	101	13 <u>e/</u>	5	6	7	9	8	8	16	16	13	
France	517	76 <u>e/</u>	65	73	116	29	21	28	29	42	38	
West Germany	1,297	544	101	286	102	25	10	39	36	54	100	
Italy	288	46	27	15	32	1	-5	39	91	34	8	
Japan	273	42	30	11	7	12	10	17	50	45	49	
Netherlands	256	39	11	26	18	20	16	22	42	38	24	
Norway	110	18	9	8	6	18	14	8	8	11	10	
Sweden	207	24 <u>e/</u>	6	7	15	16	19	21	33	34	32	
Switzerland	61	42	2	17	3	3	3	-3	-8	-3	5	
United Kingdom	801	327	95	40	41	45	46	53	56	53	45	
United States	2,087	366	198	202	138	142	204	164	112	310	251	

a. Most of which is grant and not reimbursable. The subscriptions to international loans, however, are on a net basis. Figures exclude disbursements by Portugal; figures for 1954-55 are based on an annual average for 1950-55.

b. 1969 data cannot be distributed among donors.

c. Including undistributed total for 1969. Parts may not add to total due to rounding.

d. Figures are for the period 1957-59.

e. Figures are for the period 1956-59.

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Table A-III

Net Flow of Private Capital from DAC Member Countries
to Less Developed Countries and Multilateral Agencies a/

Million US \$

Donor	Total 1954-1969	1954-59	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969 <u>b/</u>
<i>Total</i>	52,492	14,005 <u>c/</u>	3,150	3,106	2,453	2,557	3,200	4,165	3,826	4,209	6,033	5,788
Australia	170	7	--	--	--	--	15	15	20	25	30	58
Austria	206	-3	6	18	17	4	7	16	16	21	46	58
Belgium	1,368	419	81	72	49	95	93	119	97	66	150	127
Canada	819	302	70	26	55	32	14	45	55	59	94	67
Denmark	227	8	32	25	7	1	21	2	-5	-3	45	94
France	7,200	1,661	477	463	418	391	529	547	575	516	846	777
West Germany	6,078	1,343	276	229	143	186	283	253	297	594	1,028	1,446
Italy	2,989	276	193	177	280	243	197	173	517	131	401	401
Japan	2,130	228	103	160	118	94	79	132	159	214	391	452
Netherlands	2,045	683	203	144	49	97	69	169	160	115	142	214
Norway	148	5	N.A.	18	N.A.	1	6	27	4	15	35	37
Sweden	537	75	40	43	19	30	34	35	51	61	57	92
Switzerland	1,933	348	153	187	156	197	101	188	107	130	223	143
United Kingdom	6,089	1,969	474	442	323	306	426	547	413	343	341	505
United States	20,553	6,684	1,042	1,102	819	880	1,326	1,897	1,360	1,922	2,204	1,317

a. This category covers private direct investment (including reinvested earnings), portfolio and other lending (bilateral and multilateral), and guaranteed private export credits (including unguaranteed portions).

b. Preliminary estimates.

c. Figures are understated due to lack of available information.

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Table A-IV

Annual Debt Service for DAC Member and Communist Official
Bilateral Aid, Principal, and Interest Payments

		Million US \$									
	<u>Total</u>	<u>1954-59</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
<i>Total repayments</i>	11,028	1,804	550	643	637	730	1,015	1,116	1,388	1,452	1,693
Principal	6,954	1,402	341	412	364	402	581	639	866	898	1,049
Interest	4,074	402	209	231	273	328	434	477	522	554	644
<u>DAC member total</u>	<u>10,107</u>	<u>1,779</u>	<u>526</u>	<u>610</u>	<u>596</u>	<u>670</u>	<u>925</u>	<u>1,001</u>	<u>1,248</u>	<u>1,280</u>	<u>1,472</u>
Principal	6,302	1,385	324	389	336	364	520	559	766	773	886
Interest	3,805	394	202	221	260	306	405	442	482	507	586
<u>Communist total</u>	<u>921</u>	<u>25</u>	<u>24</u>	<u>33</u>	<u>41</u>	<u>60</u>	<u>90</u>	<u>115</u>	<u>140</u>	<u>172</u>	<u>221</u>
Principal	652	17	17	23	28	38	61	80	100	125	163
Interest	269	8	7	10	13	22	29	35	40	47	58
<u>Soviet total</u>	<u>600</u>	<u>21</u>	<u>19</u>	<u>23</u>	<u>29</u>	<u>40</u>	<u>64</u>	<u>73</u>	<u>89</u>	<u>104</u>	<u>138</u>
Principal	420	16	14	16	19	25	43	50	63	74	100
Interest	180	5	5	7	10	15	21	23	26	30	38
<u>East European total</u>	<u>321</u>	<u>4</u>	<u>5</u>	<u>10</u>	<u>12</u>	<u>20</u>	<u>26</u>	<u>42</u>	<u>51</u>	<u>68</u>	<u>83</u>
Principal	232	1	3	7	9	13	18	30	37	51	63
Interest	89	3	2	3	3	7	8	12	14	17	20

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APPENDIX B-1

The 1965 DAC Recommendation
on Financial Terms and Conditions

1. That 70% or more of each DAC member's total official aid commitments to developing nations should be grants or grant-like contributions that involve no repayment in foreign exchange; or

2. That members should reach the 1964 performance level, which would allow them either:

a. to provide 81% of their assistance as a combination of grants and 3% loans, or

b. to provide 82% of their assistance as a combination of grants and loans with repayment periods of 25 years or more and grace periods of 7 years.

B-2

The 1969 DAC Supplement to the 1965
Recommendation on Financial Terms and Conditions

1. That DAC members that do not contribute 70% or more of their total official development assistance as grants or grant-like contributions should either:

a. provide a minimum concessional element* of 61% for each transaction on at least 85% of their total commitments for official development assistance, or

b. provide an overall concessional element of at least 85% on 85% of their commitments of official development assistance.

* A "concessional element" is defined as the face value of a financial commitment, less the discounted present value plus interest payments, using a 10% discount rate.

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B-3

Recommendations on Terms by the Second United Nations Conference on Trade and Development (UNCTAD II), March 1968

UNCTAD II established a target of 1% of GNP as a minimum for the net annual flow of financial resources (both public and private) from the developed to the less developed nations.

B-4

The Pearson Report, 1969

1. The report suggested greater multilateralization of aid and recommended that 20% of official development assistance should be shifted to a multilateral structure by 1975. The International Development Agency (IDA) should be given a more central role in multilateralizing aid, and its resources should be increased from \$400 million to \$1.5 billion by 1975.

2. The volume of net official development assistance should be increased to 0.7% of donor's GNP by 1975 if possible, but in no case later than 1980. If private investment is included, the net flow of capital from donor countries should be increased to 1% of GNP.

3. Terms on official assistance should be revised to increase maturities to 25 to 40 years, with grace periods of 7 to 10 years, and maximum interest of 2%.

B-5

The Jackson Capacity Study, 1970

1. Recommended an overhaul in the UN system to assure it a more effective role in technical cooperation programs with less developed countries.

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2. To be accomplished through integration and rationalization of presently dispersed efforts.

a. A United Nations Development Cooperation Cycle to be established to synthesize the process of programming and to ensure procedures for evaluation and followup. This would include:

(1) synchronizing technical cooperation with the development planning cycle of each country,

(2) relating these planning cycles to IBRD plans for subsequent investment.

3. Policy decisions should be centralized in the UN Development Program and operational authority should be decentralized.

B-6

The Peterson Report, 1970

1. Recommends that the United States propose joint action by lending countries and international lending institutions to devise a strategy for dealing with the external debt problems of less developed countries and to provide for rescheduling their debts.

2. Terms of development assistance should be improved to avoid future debt problems.

3. Recommends that the United States propose that all industrial countries agree to untie their bilateral development lending.

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